

13 For purposes of this deposition, are you aware  
14 of what subjects you are here for?

15 A. Yes. Order volume forecasts are something I do  
16 not produce. I produce in-service resale volume  
17 forecasts.

18 MR. KOLTO-WININGER: Let me explain who we have  
19 produced and what we are willing to do.

20 MR. McDONALD: Sure.

21 MR. KOLTO-WININGER: I filed a -- I served a  
22 Notice of Objection to this Notice of Deposition pointing  
23 out that I was unclear as to whether we were to produce  
24 somebody who prepared our forecasts or somebody who relied  
25 on our forecasts.

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1 Through subsequent conversations with  
2 Mr. McDonald, I agreed to produce a person who prepared  
3 our Pacific Bell forecasts, resale forecasts, and would  
4 produce separately the person who relies on those  
5 forecasts.

6 Ms. Schwartz is the person who produces the  
7 Pacific Bell resale forecasts, and as she has made the  
8 distinction, we do not produce resale order volume  
9 forecasts. In addition, she will explain whether there  
10 are any aggregate industry resale order volume forecasts  
11 in Pillsbury's possession.

12 MR. McDONALD: Pacific's.

13 MR. KOLTO-WININGER: I'm sorry, Pacific's  
14 possession.

15 MR. McDONALD: All right. Now, in connection

16 the deposition notice, are you providing certain documents

17 for this deposition, or is Pacific providing certain

18 documents for this deposition?

19 MR. KOLTO-WININGER: Yes.

20 MR. McDONALD: And are these the documents that

21 you are handing me now?

22 MR. KOLTO-WININGER: Let the record reflect I am

23 handing to MCI's and AT&T's counsel the documents that are

24 being produced through Laura Schwartz. These documents

25 will be designated as confidential, pursuant to the terms  
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1 of the nondisclosure agreement between the parties.

2 MR. McDONALD: Q. We will get to the documents

3 in minute.

4 You had indicated that you have been employed

5 with Pacific Bell for 10 years?

6 A. Yes.

7 Q. And what's your current position?

8 A. I do competitive and quantitative analysis.

9 Q. And are you assigned to a particular division

10 within Pacific Bell?

11 A. Industry and product marketing.

12 Q. Is that within the industry markets division?

13 A. Yes.

14 Q. Do you hold a particular title or a position?

15 A. Team leader.

16 Q. So you are a team leader?

17 A. Yes.

18 Q. How long have you been in that position?

19 A. For a year-and-a-half.

20 Q. So approximately since the middle of 19 --

21 A. Well, October 1st of '95.

22 Q. To whom do you report in your current position?

23 A. Nancy Lubamersky, L-u-b-a-m-e-r-s-k-y.

24 Q. What's her title?

25 A. Executive Director.

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1 Q. What is she executive director of?

2 A. We are now called business decision support and

3 industry product marketing.

4 Q. You are the leader of a team; is that fair?

5 A. Yes.

6 Q. How many people on your team?

7 A. Well, so far, I have two with three open job

8 requisitions.

9 Q. So you anticipate bringing in an additional

10 three subordinates?

11 A. Yes.

12 Q. That's the extent of people that you supervise?

13 A. Yes.

14 Q. Prior to becoming a team leader in October of

15 '95, what was your prior position with Pacific?

16 A. I was -- I worked on FCC access reform, FCC

17 annual filings.

18 MR. KOLTO-WININGER: Let's go off for a second.

19 (Discussion off the record.)

20 MR. McDONALD: Q. Ms. Schwartz, I think you

21 testified that your prior position involved working on  
22 filings made with the Federal Communications Commission;  
23 is that right?

24 A. Correct.

25 Q. Do you know what your title was in that  
0010  
1 position?

2 A. Financial Analyst.

3 Q. How long did you have that title?

4 A. Two-and-a-half years.

5 Q. So that was sometime in, say, 1993, middle of  
6 1993?

7 A. Yeah.

8 Q. And then, prior to that, what position did you  
9 hold at Pacific Bell?

10 A. It was another analyst position. I forecasted  
11 Special Access circuits.

12 Q. How long did you have that position?

13 A. A year-and-a-half.

14 Q. So that was maybe early 1992?

15 A. Yeah, end of '91, beginning of '92.

16 Q. And then prior to that, what was your position?

17 A. Program analyst at Pacific Telesis in cash  
18 operations. I was there for two-and-a-half years.

19 Q. Was that your first position?

20 A. No.

21 Q. What, before then?

22 A. I forecasted facilities for the IEC's.

23 Q. While you were employed by Pacific Bell?

24 A. Pacific Bell, right.

25 Q. How long did you do that?

0011

1 A. Two, two-and-a-half years.

2 Q. Prior to your employment with Pacific Bell, did

3 you have any other full-time employment?

4 A. Yes. I worked at Nature Cosmetics down in

5 Southern California.

6 Q. Did you have any other employment in the

7 telecommunications field?

8 A. No.

9 Q. Did you do any other financial forecasting, or

10 other type of work that you just described while you were

11 employed by Pacific Bell, did you do that with any other

12 employer?

13 A. No.

14 Q. What level of education attainment did you

15 reach?

16 A. I have an MBA.

17 Q. Where did you obtain that?

18 A. Cal State Hayward.

19 Q. And you have an undergraduate degree as well?

20 A. Yes.

21 Q. And what's that in?

22 A. Mathematics from UCLA.

23 Q. Do you have any special designations or

24 credentials or training in connection with forecasting?

25 A. No, I don't believe there are any.

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1 Q. There is no society of forecasters?

2 A. Not that I know of.

3 Q. In preparation for this deposition, did you  
4 speak with anyone besides Mr. Kolto-Wininger?

5 MR. KOLTO-WININGER: Any meetings where I wasn't  
6 present.

7 THE WITNESS: No.

8 MR. McDONALD: Q. Did you examine any documents  
9 besides the documents that were produced today?

10 A. No.

11 Q. Now, I think in response to one of my earlier  
12 questions, you had said that what you do is prepare  
13 forecasts of in-service volumes; is that right?

14 A. In-service.

15 Q. Can you explain what in-service means?

16 A. In-service are how many actually are installed.

17 Q. How many what?

18 A. Resale lines, so that would be installed and  
19 billed.

20 Q. Is that related to the volume of resale orders  
21 that Pacific receives from CLC's?

22 A. Not the volume of orders, it would be the number  
23 of lines.

24 Q. So if a CLC submits, you know -- an end user  
25 asked to be migrated from Pacific Bell to a CLC, an order  
0013

1 is submitted to Pacific Bell and migration occurs, does

2 that, in your Lexicon, is that a line that is now --

3 A. Yes.

4 Q. -- now in-service as a resold line?

5 A. Yes.

6 Q. When did you commence preparing forecasts of  
7 resale lines?

8 A. The first time?

9 Q. Yeah.

10 A. That would be at the beginning of '96.

11 Q. Are you the person principally responsible for  
12 the creation of that forecast?

13 A. That initial forecast was developed in a team  
14 setting.

15 Q. And you were one of the team members?

16 A. Yes.

17 Q. Were you the team leader?

18 A. No.

19 Q. Who was the team leader at the time?

20 A. At that time Cathy Shelton.

21 Q. What is she doing today?

22 A. She is a director over in, I think, business  
23 marketing group.

24 Q. So she left the group that you are currently in?

25 A. She was never -- she was never in our group.  
0014

1 The group I am in is industry product marketing. When we  
2 had developed the forecast initially, it was a  
3 cross-functional team that we -- all the experts got  
4 together in this team and sat down and discussed  
5 forecasting.

6 Q. And?

7 A. And she was just the one that made sure, just,  
8 you know, that everybody was at the meetings, just  
9 organizationally or, you know, administratively, setting a  
10 schedule.

11 Q. And this was early 1996, you said?

12 A. Yes.

13 Q. How many people were on the team, the initial  
14 team?

15 A. It varies. Six to eight.

16 Q. And they came from a variety of divisions within  
17 Pacific Bell; is that right?

18 A. Yes.

19 Q. Do you remember what areas they came from?

20 A. Industry product marketing, consumer marketing,  
21 business marketing, CFO, strategy and local competition.

22 Q. What were the last two again, I'm sorry?

23 A. Strategy.

24 Q. Just strategy, that's the name of the group?

25 A. And local competition.

0015

1 Q. During what period of time -- this team  
2 ultimately developed an initial forecast; is that right?

3 A. Right.

4 Q. Do you know when that forecast came out or was  
5 produced?

6 A. Well, I believe this is the first page -- here  
7 was the -- our initial internally developed forecast.



8 MR. McDONALD: Maybe we should have this -- each  
9 of these marked, so this will be marked Exhibit -- do you  
10 want these to be confidential?

11 MR. KOLTO-WININGER: That's right. We have  
12 already done -- with another document that is an exhibit,  
13 but it's marked confidential.

14 MR. McDONALD: And so -- off the record a  
15 second.

16 (Discussion off the record.)

17 (Whereupon, Exhibit Nos. 11 through 15  
18 were marked for identification.)

19 MR. McDONALD: Q. If you can take a look at  
20 what's been marked Exhibit 11, that, I think, you  
21 described as the initial forecast that this team  
22 developed; is that right?

23 A. Correct.

24 Q. Now, what information did the team use to  
25 develop those projected volumes?

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1 A. Our initial -- how we initially developed the  
2 forecast is, we took our retail numbers and made  
3 projections off of the in-service space, so looking at  
4 reasonableness of numbers for resale, we had no forecast  
5 from any CLC, so we had to basically canvass the experts,  
6 bring all information that anyone in the company had, and  
7 evaluate that to make some reasonable estimates.

8 Q. Am I correct to understand that this was  
9 prepared in March of '96?

10 A. That's when we published it, so we started

11 developing it -- in January, February, we were working on  
12 it.

13 Q. And was it about two months of full-time work to  
14 develop this forecast?

15 A. Not full-time, but off and on, meetings.

16 Q. How much of your time was devoted, during those  
17 two to three months, to developing this initial forecast?

18 A. Probably half.

19 Q. And this is a one-page document. I assume  
20 that -- were there supporting documents that were prepared  
21 too, in the preparation of this Exhibit 11?

22 A. No.

23 Q. Can you describe how the numbers came up? Was  
24 it a matter of people sitting in meetings and trying to  
25 make some estimate as to expected volumes by year end?  
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1 A. We had some market research from a few different  
2 sources. I think Constat had made some projections of  
3 loss of the local market for, seems like, nation-wide  
4 estimates. Bain & Company had done some initial  
5 forecasting efforts for Pacific Bell in '95. We looked at  
6 those numbers and their assumptions. We also talked with  
7 our own internal people who were knowledgeable about the  
8 market, in developing our own assumptions.

9 Q. You mentioned Constat; is that right?

10 A. It's a market research firm.

11 Q. Bain is a consulting firm that Pacific uses?

12 A. Right.

13 Q. What was it that each of those two entities did  
14 for Pacific?

15 A. Constat was just a -- I think, a market research  
16 report that had come out. I don't believe Pacific  
17 actually commissioned it; it was something we had bought,  
18 but it was for, like the whole overall market for the  
19 nation. So it was just something to look at, just to,  
20 like benchmark.

21 I believe Bain & Company provided a forecast of  
22 '95. This is before I got here. I believe it was used in  
23 Dusquense hearings, I am not sure what else.

24 Q. What's a Dusquense hearing?

25 A. Before my time. I am not -- I don't really know  
0018

1 the details. I just know that they had done initial

2 forecasts, and that's what it was used for.

3 Q. The team that worked in the first part of 1996,  
4 was it given a direction or a mission for the production  
5 of what now has been marked Exhibit 11?

6 A. Right. It was a cross-functional team, and we  
7 were to develop forecasts for the -- how much retail loss  
8 was to be expected and then how much we would pick up on  
9 the resale side.

10 Q. And who gave direction to the team to undertake  
11 that effort?

12 A. Well, it came from our senior leadership team,  
13 that certain people were designated in each group that  
14 would sit on this joint team.

15 Q. Who was on the senior leadership group?

16 A. Well, maybe from my group, it would be Liz

17 Fetter; on the other side, good question.

18 Q. If you don't know, that's fine.

19 A. Yeah, I don't know.

20 Q. Did you talk with Ms. Fetter about what was

21 expected to be produced by the team for this first

22 forecast?

23 A. Not directly.

24 Q. Did you communicate with her indirectly in some

25 way?

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1 A. Yeah, comes down from above.

2 Q. How did you receive communications from her,

3 through an intermediary?

4 A. Through my boss.

5 Q. What did your boss tell you that your

6 instructions were in your participation on the team?

7 A. My participation was to bring forward all

8 assumptions, all information from an industry marketing

9 perspective. In addition, if we were to get any forecasts

10 from the CLC's, which we always asked for, I would roll

11 those up to a state-wide level and provide that

12 information to the group, but we did not receive any.

13 Q. So what's been marked Exhibit 11, then, was the

14 initial forecast that was created by the team --

15 A. Yes.

16 Q. As of -- wait for me to finish the question.

17 MR. KOLTO-WININGER: You need to let him finish,

18 just so that you don't overlap in your transcript.

19 MR. McDONALD: Q. That was as of March of 1996?

20 A. Yes.

21 Q. Did you have input into each of the various  
22 elements that are set forth as resale access lines?

23 A. Yes.

24 Q. Do you know what was done with this forecast?

25 A. This forecast was used for a variety of  
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1 different purposes, from business planning to LISC sizing,  
2 staffing. This forecast also goes out to engineering for  
3 our capital deployment and budgeting processes, network  
4 deployment and sizing, also.

5 Q. Did you participate in the distribution of this  
6 document to anyone within Pacific Bell?

7 A. Yes.

8 Q. And what was your role?

9 A. For this forecast, I have a list of people that  
10 I give those out to, so I distribute -- at that time, in  
11 an ISO 9000 processed manner.

12 Q. Can you describe briefly what that means?

13 A. Just found out who actually needed the forecast  
14 and then distributed it to them, and then made sure with  
15 every new addition of the forecast, I would distribute  
16 them the latest copy.

17 Q. Was there an individual or group of people to  
18 whom you provided this forecast, in connection with sizing  
19 of the LISC?

20 A. Yes.

21 Q. Who was that?

22 A. That would be Robert Hough in industry marketing  
23 finance.

24 Q. Do you know what Mr. Hough did with this

25 forecast, Exhibit 11?

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1 A. Not directly. I know he used it as an input to

2 staffing, but I don't know the details or what assumptions

3 he used.

4 Q. Do you know if the forecast was provided to

5 anyone else, in connection with planning for the LISC, in

6 terms of systems or processes that might be used at the

7 LISC?

8 A. No, I am not aware of anything -- anyone else.

9 Q. Was the group, the team, I guess, that worked on

10 this, the first part of 1996, instructed as to what the

11 final work product should look like, what the outcome

12 should look like, just in terms of its physical

13 appearance?

14 A. No.

15 Q. Was the group told to break down the various

16 elements as they are broken down in Exhibit 11?

17 A. I mean, not specifically, but that makes perfect

18 sense to us, who were looking at the forecast, that we

19 would want to see resale lines by type of line. I got

20 input from a lot of the --

21 MR. KOLTO-WININGER: It's okay, you have

22 answered his question.

23 MR. McDONALD: Q. Well, you were about to tell  
24 us you received input from what, a variety of people as to  
25 what should go into this forecast?

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1 A. One or two that wanted to see a specific level  
2 of detail.

3 Q. Who were they?

4 A. Specifically, it would be Kris Cairns.

5 Q. Who is Kris Cairns?

6 A. She is the leader of the local competition  
7 implementation team.

8 Q. Did she give you some guidance as to how she  
9 would like this forecast presented?

10 A. No, just the level of specificity in the  
11 forecast.

12 Q. That being she wanted it broken down for  
13 consumer, basic business, Centrex lines and PBX trunks; is  
14 that right?

15 A. Yes.

16 MR. ETTINGER: Is that proprietary, the names of  
17 the categories, not the numbers, but --

18 MR. KOLTO-WININGER: I don't know.

19 But let me ask you.

20 THE WITNESS: I don't know. Those are product  
21 names.

22 MR. McDONALD: You have got 10 days.

23 MR. KOLTO-WININGER: We have got 10 days. I  
24 don't think it is, but I will find out. Thanks for  
25 pointing that out.

0023

1 MR. McDONALD: Q. Prior to the preparation of  
2 Exhibit 11, was the team given any instruction as to  
3 quantities that it should shoot for, in terms of goals and  
4 expectations?

5 A. None at all.

6 Q. Can you explain each of these four elements that  
7 we have talked about, the resale access lines; what is  
8 your understanding of a consumer line?

9 A. It is a -- it's, in Pacific Bell terms, 1-FR or  
10 1-MR, which is either Flat Rated residential line or a  
11 Measured Residential line.

12 Q. And then basic business is what?

13 A. 1-MB, Measured Business line.

14 Q. And then Centrex lines?

15 A. Centrex, Centrex line.

16 Q. Okay. Self-defining?

17 A. PBX, PBX trunk.

18 MR. KOLTO-WININGER: You will need to let him  
19 ask a question so it comes out right in the transcript.

20 MR. McDONALD: Q. Now, if a resale order were  
21 to be -- a resale order were to be submitted to Pacific  
22 Bell that provided for the migration of a business that  
23 had three locations and three lines with various features,  
24 hunt groups and the like, where would this fall within  
25 this forecast?

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1 A. That would -- that would be a three. That would  
2 fall as for three resale lines.



3 Q. Under basic business?

4 A. Yes.

5 Q. And this forecast was intended to cover the  
6 entire calendar year, 1996?

7 A. Yes. This would be end-of-year and in-service  
8 volume.

9 Q. Was this broken down in any other document as to  
10 number of lines migrated per month?

11 A. Not our initial forecast, no. Our initial  
12 forecast, we just dealt with end-of-year numbers.

13 Q. So in your forecast, you or members of your team  
14 did not attempt to identify, on a per-month basis, what  
15 the resale order volume might be?

16 A. Our group did not deal with resale order  
17 volumes.

18 Q. So all you were trying to estimate were, by  
19 year-end, what the number of resale access lines that  
20 would be migrated?

21 A. Yes.

22 Q. And in your analysis, it wouldn't matter if the  
23 request to migrate all those lines came in one month at  
24 the end of the year, versus stretched over a six-month  
25 period of time?

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1 A. For this forecast, it would be the same end  
2 product.

3 Q. Were you ever asked to break the forecast down  
4 by month?

5 A. Yes.

6 Q. And is that what appears in some of the

7 subsequent documents?

8 A. Yes.

9 Q. But at least, insofar as the document that was

10 prepared in March of 1996, you were only asked for an

11 aggregate number for year-end 1996; is that right?

12 A. Yes.

13 Q. So what was the next -- after this document was

14 distributed in March of 1996, what next did you do in

15 connection with the forecast for in-service resale?

16 A. Well, as you know, a forecast is never etched in

17 stone, so it's a continual process of gathering

18 assumptions, looking at the market, talking to

19 individuals, asking the LISC if they have gotten any

20 orders in, that type of thing. Just trying to keep a

21 finger on the pulse of the market.

22 Q. Was the team, or you, asked to continue to

23 revise the forecast as time went on?

24 A. Yes, that was the whole purpose of the team,

25 that we got together. We had monthly meetings to take a  
0026

1 look at the forecast to re-discuss our assumptions, what

2 was happening with the market, to continually reassess.

3 Q. And so the team, after the initial forecast was

4 issued, the team had regularly scheduled meetings; is that

5 right?

6 A. Yes.

7 Q. And it met with what frequency?

8 A. About every month.

9 Q. Were there other communications that were made  
10 among team members in the interim times?

11 MR. KOLTO-WININGER: Regarding the forecast?

12 MR. McDONALD: Right.

13 THE WITNESS: Regarding what, number levels or  
14 assumptions?

15 MR. McDONALD: Q. Just anything regarding the  
16 forecasts.

17 A. Not that I know of.

18 Q. Was there a subset on the team that was called  
19 upon to undertake some work, in between these monthly  
20 meetings?

21 A. No. Each group -- like our side, my side,  
22 industry product marketing, I was responsible for a  
23 certain set of assumptions, and that would be looking at  
24 order volumes coming through the LISC or trying to gather  
25 any forecasts from the CLC's.

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1 Q. Now, when you create a forecast such as this,  
2 what's shown on Exhibit 11 -- I'd like to start talking  
3 about the process so I understand it. You bring some  
4 input into the forecast; is that right?

5 A. Right.

6 Q. And you also make certain assumptions about  
7 something that will develop into the future?

8 A. Yes.

9 Q. What else do you do?

10 A. Well, with a -- with products that have never

11 existed before, there are no numbers, so there is no  
12 financial modeling or analysis as in a traditional  
13 forecast. None of that occurred, because there is nothing  
14 to analyze. It was just basically looking at the overall  
15 market and making some educated assumptions and picks.

16 Q. Can you describe what the various inputs into  
17 this forecast, Exhibit 11, were?

18 A. We looked at either what had been done before,  
19 we had looked at some of that Constat research that  
20 described what they thought a steady state of competition  
21 would be, and when competition got going. We took a look  
22 at that.

23 We looked at what Bain & Company had done  
24 before, the 1995 forecast, and what levels they had picked  
25 and what their assumptions were in there. I also have  
0028

1 like a news service with different profiles set up, so I  
2 get daily information on different profiles of news  
3 clippings, just to try and track what's -- any  
4 announcements or what's going on with local market.

5 We also looked at advertising to see if anybody  
6 had started -- any of the CLC's had started to advertise  
7 from the local market. So it was just basically just  
8 trying to gather as much information as you can.

9 Q. And when you created, or when your team created  
10 this forecast, was there any level of credibility or  
11 accuracy assigned to it? Is there a term that is given to  
12 a forecast, a level of confidence, for example?

13 A. This is our best estimate.

14 Q. But there is no quantitative assignment -- no  
15 assignment of a quantitative value that there is, a high  
16 degree of confidence, or 85 percent degree of confidence,  
17 or anything like that?

18 A. We did not look -- I guess you can describe a  
19 forecast that way, when they say they pick confidence  
20 intervals, but we did not do confidence intervals. This  
21 was our best guess, most likely estimate at that time.

22 Q. So following the distribution of this Exhibit  
23 11, did you get feedback from people in Pacific Bell upon  
24 the distribution of this forecast?

25 A. I can't remember specifically, but I am sure  
0029  
1 everybody has their opinion.

2 Q. Well, in terms of whether --

3 A. Too high, too low?

4 Q. Right. Did people provide to you, whether  
5 written or telephonic, communications saying, I think this  
6 is way off, or this seems about right, any kind of  
7 reaction like that?

8 A. None that I can specifically remember, nothing  
9 in writing.

10 Q. Subsequent to the distribution of this forecast,  
11 what's been marked Exhibit 11, I think you testified that  
12 the team continued to meet on a monthly basis, and that  
13 was to what, examine the existing forecast and determine  
14 if adjustments should be made to it?

15 A. Correct.

16 Q. Do you know when the first such meeting next

17 occurred, after the distribution of Exhibit 11?

18 A. Probably beginning part of April.

19 Q. Did that meeting lead to the revision in the

20 forecast?

21 A. That specifically -- that specific meeting? I

22 can't -- I don't remember like what specific event caused

23 us to say these numbers are too high, but it's just an

24 ongoing process of continually evaluating the forecast and

25 the assumptions.

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1 Q. So at some point, was the next document that was

2 produced -- the next forecast that was produced, what's

3 been marked Exhibit 12, which on the upper right corner

4 reads, "Revision B," the date, 5/31/96?

5 A. Yes.

6 Q. In the time between the promulgation of Exhibit

7 11 and Exhibit 12, did the team that prepared these

8 forecasts change?

9 A. Did the team change?

10 Q. Yeah, the membership of the team.

11 A. No.

12 Q. So what is now marked Exhibit 12, this was

13 issued on or about May 31?

14 A. Yes.

15 Q. And what caused this Revision B to be issued?

16 A. No actuals. There were no orders, except for a

17 few test orders. There were no actuals coming in.

18 Q. Now, this forecast has broken down the various  
19 elements of resale access lines into seven different  
20 groups; is that right?

21 A. Yes.

22 Q. Can you describe what the differences are  
23 between these groups and the four that were on the initial  
24 forecast, Exhibit 11?

25 A. The only addition for this group, that original  
0031  
1 group, was ISDN lines, both basic and primary rate. We  
2 did add in ACN. That was a big hot button for Kris  
3 Cairns, who absolutely had to see that in there, but that  
4 was -- that would have been contained in the overall  
5 consumer, in the prior forecast.

6 Q. So --

7 A. It was just split out.

8 Q. So I understand, what does ACN stand for?

9 A. Advanced Communication Network.

10 Q. What does that describe, to your understanding?

11 A. That would be our last year. They are our new  
12 network that we are installing for the advanced video  
13 services.

14 Q. So that describes a certain type of service that  
15 Pacific Bell had been providing?

16 A. Not yet providing. In '96, we were going to  
17 roll out that network.

18 Q. That network was going to be available to both  
19 businesses and consumers?

20 A. Yes.

21 Q. So you created a new category, but each of those  
22 in Exhibit 11 just were embedded within either consumer or  
23 basic business?

24 A. Correct.

25 Q. Without getting into the details of the numbers  
0032

1 just yet, is it fair to say that Exhibit 12 shows a  
2 significant reduction in the projected end-of-year  
3 in-service resale orders?

4 A. Yes.

5 MR. ETTINGER: May I ask a question again, about  
6 proprietary, the data. I understand the numbers are  
7 proprietary, and I assume Mr. McDonald has already started  
8 to ask about the trend, the direction of the forecast. Is  
9 that proprietary?

10 MR. KOLTO-WININGER: No, that's not proprietary.  
11 Put it this way: I don't mind you asking questions, and  
12 if we deem it proprietary, within 10 days, we will mark  
13 it.

14 MR. ETTINGER: All right. Just let us know,  
15 then, if we are treading on proprietary.

16 MR. KOLTO-WININGER: Sure.

17 MR. McDONALD: Q. Can you remember what caused  
18 the team to reduce the projected year-end volume, besides  
19 the lack of actuals?

20 A. We had some discussions with -- or myself and  
21 Robert Hough had discussions with Ann Long, Leslie Wood,  
22 as to any of their informal conversations with the CLC's,



23 and their degree of readiness to enter the market on a big  
24 scale. And the input I got back from at least Ann Long  
25 was they were having major -- the CLC's were having major  
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1 system problems they were still testing. They did not see  
2 big orders coming over any time soon.

3 Q. So is it correct that the team looked at the  
4 fact that there had been no orders received in between  
5 March and the end of May, as well as discussions with  
6 individuals within Pacific as to expectations for what  
7 CLC's were likely to do in terms of resale orders, and  
8 those were essentially the two inputs that caused the  
9 forecast to be reduced substantially?

10 A. Yes, and in addition, continually to monitor any  
11 advertising, activity.

12 Q. Do you know what was done with this Exhibit 12  
13 after it was prepared?

14 A. It went the same route as the first forecast.  
15 It went into our business planning process. It went  
16 into -- the LISC sizing went over to network engineering.

17 Q. Do you know what business planning did with the  
18 forecast?

19 A. Business planning, they rolled these numbers up  
20 with our other retail, wholesale numbers to come up with  
21 the overall Pacific Bell business plan.

22 Q. And the LISC people were using, to your  
23 knowledge, using this forecast to determine staffing at  
24 the LISC?

25 A. To my knowledge, yes.